

Good morning. My name is Marie Lenane and I am a Pricing Analyst for the Purchase of Service Administration at the Executive Office of Health and Human Services (EOHHS). I am here to present testimony on proposed amendments to 101 CMR 345.00: Rates for Temporary Nursing Services (TNS). These proposed amendments will update rate limits paid by certain health care providers to temporary nursing agencies registered with the Department of Public Health. The proposed amendments are effective July 1, 2021.

Massachusetts General Laws Chapter 118E, Section 13D, and Chapter 111, Section 72Y, require EOHHS to annually establish the limit for the rates for temporary nursing services provided to licensed nursing facilities and hospitals. The statute also specifies that the maximum rates are to be set by region (six Health Service Areas, or HSAs), type of facility (hospital or nursing facility), position type (RN, LPN, CNA), and shift (weekday shifts 1 through 3 and weekend shifts 1 through 3). The regulation establishes the maximum rates for temporary nursing services, but a payer may negotiate rates for temporary nursing services that are below these maximum rates.

The wage components were calculated using the median wages and benefits from the 2018 Nursing Services/facilities Cost Report (HCF-1) and the 2018 Hospital Cost Report (HCF-403). TNS hours from the 2018 NSR were used to calculate spending and fiscal impact. For each health service area (HSA), the median hospital wages by type of service were blended with the statewide median for those services (50:50). The nursing home medians were based on the median wages by HSA and type of position.

The median wages were then adjusted by an inflation factor (cost adjustment factor, or CAF) using Q1 2018 through Q4 2018 as the base period and Q3 2021 through Q2 2022 as the rate period. The CAF is based on the Massachusetts consumer price index and inflates components from the base year(s) of their respective cost reports to the rate year. For this analysis, the CAF was calculated to be 7.97% using Q1 2018 through Q4 2018 as the base period, and Q3 2021 through Q2 2022 as a rate period for hospitals and nursing facilities. Median wages were next adjusted by shift differentials. The hospital shift differential

information comes from the Massachusetts Hospital Association's Hospital Salary Survey for 2017, and the nursing facility shift differential information comes from the Massachusetts Senior Care Association's Annual Employment Survey for 2016. Shift differential information from 2017 for hospitals and from 2016 for nursing homes, are the most recent data available.

The shift differentials were adjusted by a CAF using Q1 2017 as the base period for hospital data and Q2 2016 as the base period for nursing facility data, and a rate period of Q3 2021 through Q2 2022 for both the hospitals and nursing facilities. The CAF for shift differentials was calculated to be 11.26% for hospitals and 13.32% for nursing facilities.

In the calculations for the proposed rates, the administrative mark-up was held at the same percentage as in previous analyses, 35.43%. After adding the wages and administrative components, a profit factor of 5.31% was applied. The percentage was originally derived from TNS cost data.

The final hourly rate was determined for each HSA by adding the median wage, administrative mark-up, profit factor add-on, and shift differentials.

The proposed amendments to 101 CMR 345.00 also include modifying the fixed-term travel employee disclosure form submission under 101 CMR 345.05: *Reporting Requirements* to require TNS agencies to maintain records about the classification of these employees, which will relieve the TNS agencies from related regular submission requirements. The proposed rates will result in \$135 million in total estimated annual spending for temporary nursing services, which is an increase of \$3.2 million (2.4%) compared to current spending. Spending by hospitals is estimated to increase by \$1.3 million (1.5%), and spending by nursing facilities is estimated to increase by \$1.9 million (4.3%). The estimated fiscal effect is based on purchase of temporary nursing services at the maximum rate established by this proposed regulatory amendment, but the actual fiscal effect may differ from the estimated amounts depending on the actual rate used for contracting for TNS, which may be lower than the limits established in this regulation.

This concludes my testimony. Thank you.